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## **Market Brief - Product**

# **Austria : EU Commission Approves only Partial Purchase of AU Super Market Chain**

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Vienna [AU1], AU

EU Commission Approves only a Partial Purchase of Austrian Supermarket Chain by German Rewe Concern.

#### Summary

On February 3, 1999 the EU Commission decided that for competition reasons only 41% of the turnover or 162 shops of the Meisl Supermarket chain can be purchased by the German concern Rewe. The present owners of the Meisl chain intend to convert 100 of the remaining shops into gourmet outlets and the remaining 77 shops will be sold to any interested party. These 77 shops may present an opportunity for U.S. retail companies considering entering the Austrian market. So far, there is no U.S. food chain represented in Austria. End Summary.

The purchase of the supermarket chain Julius Meisl by the German Rewe concern (see AU8035) cannot be carried out as originally intended by both parties. As the Rewe concern which covers already 30% of the Austrian food retail market through its supermarket chains (Billa, Mondo, Merkur, Emma) would have increased with Meisl shops its market share in east Austria to more than 50%, the Commission decided on February 3, 1999, that only 41% of the Meisl turnover will be permitted to be purchased by Rewe. This corresponds to 162 shops of which 117 can remain food shops. The remaining 45 will be converted to Bipa drug stores (Bipa is a drug store chain of Rewe). In eastern Austria, where the Rewe group is particularly strong, no Meisl shop will be used as a food retailer. Thus, food supplier dependence on the Rewe group will not increase further in east Austria and in west Austria it will be milder than previously expected.

After the permitted sale of 162 shops to Rewe, 177 shops with a turnover of AS 5.8 billion will still remain in the hands of the Meisl family. According to Julius Meisl V, the new concept is to keep 100 shops and sell the rest. All shops remaining in family property shall be turned into gourmet shops which many years ago was the line of the traditional family enterprise.

With its gourmet line, Meisl hopes to be able to stay outside of the general price wars among the established supermarkets. The nucleus of the intended assortment will be premium products of a higher price level; non-food products will not be offered any longer. The Meisl logo will also be removed from all cheaper products currently available. Around 80 of the planned gourmet shops will be in Vienna and the rest in the greater Vienna area.

In the next 2 - 3 years, Meisl wants to invest around AS 700 million in the gourmet shops. (This is 70% of the estimated amount which Rewe will pay for the purchase of the 162 shops.) The turnover of the gourmet shops shall reach AS 4 billion by 2000 and in 2 - 3 years an operational profit is expected.

As regards the sale of 77 shops, Meisl wants to finish the transaction negotiations by June 1999. According to Meisl, all interested companies are welcome to bid. Austria's second largest food chain Spar (27% market share) announced already interest, particularly in the 21 large Pampam shops (low price shops) with a turnover potential of AS 1.5 billion. Interest was also voiced by ADEG (13 % market share).

Comment: The Julius Meisl Chain was a healthy traditional enterprise which ran into economic

difficulties after the purchase of large Konsum shops (Konsum was a supermarket chain which went bankrupt) several years ago. In 1997 and 1998, Meisl's deficit was about AS 90 million/year.

At present, Meisl has one gourmet shop, which is doing very well. It is located in the center of Vienna. Whether 100 such shops will be able to operate profitably is questionable.

As a relatively large number of shops (77) have become available, it may be worthwhile for U.S. companies to consider entering the Austrian market. So far, there is no U.S. food chain represented in Austria.